

# Municipal Digest

Winter 2015

Information on IRS Programs and Resources for Municipal Government Agencies

## 2015 tax filing season is underway

The Internal Revenue Service is offering an array of **online services** to help individuals in your community file their tax returns. The IRS expects to receive about 150 million individual income tax returns this year. As in each of the past three years, more than four out of five returns are expected to be filed electronically.

“Our employees will be working hard again this season to help the nation’s taxpayers,” IRS Commissioner John Koskinen said. “We encourage people to use the tools and information available on IRS.gov, particularly given the long wait times we anticipate on our phone lines. As always, taxpayers can benefit by filing electronically.”

The IRS **Free File** program, available only at **IRS.gov**, offers two electronic filing options:

- Brand-name software, offered by IRS’ commercial partners to about 100 million individuals and families with incomes of \$60,000 or less; or
- Online fillable forms, the electronic version of IRS paper forms available to taxpayers at all income levels and especially useful to people comfortable with filling out their own returns.

E-file, when combined with direct deposit, is the fastest way to get a refund. More than three out of four refund recipients now choose direct deposit.

Like last year, the IRS expects to issue more than nine out of 10 refunds within 21 days.

Again, the fastest way to get a refund is to e-file and choose direct deposit. It takes longer to process paper returns and in light of IRS budget cuts resulting in a smaller staff, it will likely take an additional week or more to process paper returns, meaning that those refunds are expected to be issued in seven weeks or more.

Koskinen said, “If you haven’t already, you should consider filing electronically. It’s fast, accurate and the best way to get your refund quickly.”

Koskinen also strongly encouraged taxpayers to visit IRS.gov as a first stop for information ranging from the **status of their refunds** to **basic tax information**. He cautioned taxpayers that recent budget reductions will mean long wait times on the phone, routinely topping 30 minutes.

Taxpayers are reminded to use the **EITC Assistant** to find out if they are eligible to claim the Earned Income Tax Credit, a benefit for working people who have low to moderate income.

Also available to assist taxpayers in filing their returns are several YouTube videos: Help for Taxpayers: **English | ASL**; When Will I Get My Refund: **English | Spanish**; Welcome to Free File: **English**; Do I Have To File A Tax Return: **English | Spanish**

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## Useful Links

Municipal Agency Partnering Program (MAPP)

EITC resources for municipalities

IRS.gov homepage

Tax forms & pubs

Find your local IRS office

Tax information for local governments

Identity protection

Disaster relief

Taxpayer Advocate Service





## ACA resources for individuals and families available on [IRS.gov/aca](http://IRS.gov/aca)

The Affordable Care Act, or Health Care Law, adds new health insurance coverage and financial assistance options for individuals and families.

[IRS.gov/aca](http://IRS.gov/aca) explains the tax benefits and responsibilities for individuals and families. This includes information about the **individual shared responsibility** provision and **premium tax credit** provision. It also provides basic information about how health insurance choices you make may affect the tax return you file.

IRS electronic publications include:

- **Publication 5093 – Healthcare Law Online Resources**
- **Publication 5120 – Facts about the Premium Tax Credit**
- **Publication 5121 – Facts about the Premium Care**
- **Publication 5152 – Premium Tax Credit – Report changes in circumstances to the Marketplace when they happen**
- **Publication 5156 – Facts about Individual Shared Responsibility Provision**
- **Publication 5172 – Facts about Health Coverage Exemptions**

Watch the IRS YouTube videos for an overview of the **Individual Shared Responsibility Provision** and the **Premium Tax Credit**. Subscribe to **Health Care Tax Tips** to understand the tax provisions of health care law.

[IRS.gov/aca](http://IRS.gov/aca) has the most updated information about the **Affordable Care Act Tax Provisions for Individuals and Families**. [IRS.gov/aca](http://IRS.gov/aca) also provides information about rules and responsibilities for employers, as well as tax provisions for insurers, tax-exempt organizations and other businesses.

## Qualifying individuals can get free tax return preparation

The Volunteer Income Tax Assistance program offers free tax help to people who generally make \$53,000 or less, persons with disabilities, the elderly and limited English speaking taxpayers who need assistance in preparing their own tax returns. IRS-certified volunteers provide free basic income tax return preparation with electronic filing to qualified individuals.

In addition to VITA, the Tax Counseling for the Elderly program offers free tax help for all taxpayers, particularly those who are 60 years of age and older, specializing in questions about pensions and retirement-related issues unique to seniors. The IRS-certified volunteers who provide tax counseling are often retired individuals associated with non-profit organizations.

VITA and TCE sites are generally located at community and neighborhood centers, libraries, schools, shopping malls and other convenient locations across the country.

At select tax sites, taxpayers also have an option to prepare their own basic federal and state tax return for free using Web-based tax preparation software with an IRS-certified volunteer to help guide you through the process. This option is only available at locations that indicate Self-Prep in the site listing.

At a limited number of select sites, the power of technology is being leveraged to help prepare taxes. Known as Virtual VITA/TCE, this model uses video chat software and secure file sharing technology to connect taxpayers and IRS-certified volunteers in different geographic locations.

To locate a VITA or TCE site near you, use the **VITA Locator Tool** or call 800-906-9887. You can also use the **IRS2GO** app to find a site near you. Please note that when using the locator tool, you will exit [IRS.gov](http://IRS.gov) and open Google Maps if you need directions to a specific location.

A majority of the TCE sites are operated by the AARP Foundation's Tax Aide program. To locate the nearest AARP TCE Tax-Aide site between January and April use the **AARP Site Locator Tool** or call 888-227-7669.

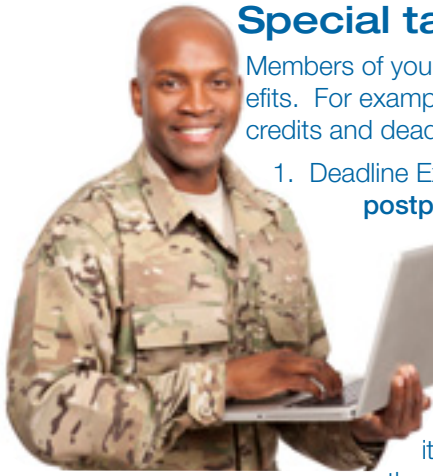
Before going to a VITA or TCE site, see **Publication 3676-B** for services provided and check out the **What to Bring** page to ensure you have all the required documents and information our volunteers will need to help you. \*Note: available services can vary at each site due to the availability of volunteers certified with the tax law expertise required for your return.

## Expecting a Refund?

Check the status of your 2014 refund with the **Where's My Refund?** tool on [IRS.gov](http://IRS.gov) or the **IRS2Go Mobile App** and select the Refund Status option. The IRS issues more than 9 out of 10 refunds in less than 21 days. Our phone and walk-in representatives can only research the status of your refund if it's been 21 days or more since you filed electronically, more than 6 weeks since you mailed your paper return, or if **Where's My Refund?** directs you to contact us.

You can start checking the status of your return within 24 hours after we receive your e-filed return or 4 weeks after you mail a paper return. You will also be given a personalized refund date as soon as the IRS processes your tax return and approves your refund. **Where's My Refund?** is updated no more than once every 24 hours, usually overnight, so you only need check once a day.

Refer to **Publication 2043** for more information about refunds.



## Special tax benefits apply to members of Armed Forces

Members of your community who are serving in the U. S. Armed Forces may be eligible for special tax benefits. For example, some types of pay are not taxable. And special rules may apply to some tax deductions, credits and deadlines. Here are ten of those benefits:

1. **Deadline Extensions.** Some members of the military, such as those who serve in a combat zone, can **postpone some tax deadlines**. If this applies to you, you can get automatic extensions of time to file your tax return and to pay your taxes.
  2. **Combat Pay Exclusion.** If you serve in a combat zone, certain **combat pay you get is not taxable**. You won't need to show the pay on your tax return because combat pay isn't included in the wages reported on your Form W-2, Wage and Tax Statement. Service in support of a combat zone may qualify for this exclusion.
  3. **Earned Income Tax Credit.** If you get nontaxable combat pay, you may choose to include it to **figure your EITC**. You would make this choice if it increases your credit. Even if you do, the combat pay stays nontaxable.
  4. **Moving Expense Deduction.** You may be able to deduct some of your unreimbursed moving costs. This applies if the move is due to a permanent change of station.
  5. **Uniform Deduction.** You can deduct the costs of certain uniforms that regulations prohibit you from wearing while off duty. This includes the costs of purchase and upkeep. You must reduce your deduction by any allowance you get for these costs.
  6. **Signing Joint Returns.** Both spouses normally must sign a joint income tax return. If your spouse is absent due to certain military duty or conditions, you may be able to sign for your spouse. In other cases when your spouse is absent, you may need a Power of Attorney to file a joint return. For details, see the section on Power of Attorney in IRS Publication 3, Armed Forces Tax Guide.
  7. **Reservists' Travel Deduction.** If you're a member of the U.S. Armed Forces Reserves, you may deduct certain costs of travel on your tax return. This applies to the unreimbursed costs of travel to perform your reserve duties that are more than 100 miles away from home.
  8. **Nontaxable ROTC Allowances.** Active duty ROTC pay, such as pay for summer advanced camp, is taxable. But some **amounts paid to ROTC students** in advanced training are not taxable. This applies to educational and subsistence allowances.
  9. **Civilian Life.** If you leave the military and look for work, you may be able to deduct some job hunting expenses. You may be able to include the costs of travel, preparing a resume and job placement agency fees. Moving expenses may also qualify for a tax deduction.
  10. **Tax Help.** Most military bases offer free tax preparation and filing assistance during the tax filing season through the Volunteer Income Tax Assistance program better known as VITA. Some also offer free tax help after April 15.
- For more on this topic, refer to **Publication 3, Armed Forces' Tax Guide**. IRS YouTube videos on Military Tax Tips are available in **English** and **Spanish**.

## Social Security announces new online service to replace SSA-1099 or SSA-1042S

Just in time for tax season, Social Security has announced the agency is expanding its online services to enable Social Security beneficiaries to quickly and easily obtain an instant and official replacement SSA-1099 or SSA-1042S for tax purposes. Copies of forms can be created from the agency's website at my Social Security account.

Social Security sends SSA-1099 or 1042S each January showing the total amount of benefits paid in the previous year. About one-third of people who get Social Security benefits have to pay income tax on their benefits. They can use this statement when they complete their federal income tax return to find out if they have to pay taxes on their benefits.

Previously, people who lost their SSA-1099 or 1042S had to call or visit a Social Security office to get a replacement

or request one be mailed to them. With this new online service, people now only need to create a **my Social Security account**, or log into their existing account. Once there, they can view and print their SSA-1099 or 1042S or request to have a new one mailed to them—all online.

With a **my Social Security account**, they also can:

- Get a **benefit verification letter**;
- Check their benefit and payment information and their earnings record;
- **Change their address** and phone number;
- **Start or change direct deposit** of their benefit payment; and now

Setting up an account is easy, secure, and convenient. You just need to go to **my Social Security – Sign In Or Create an Account**.



## Find answers to your tax questions with the online Interactive Tax Assistant

Find quick and reliable answers to your tax questions with the **Interactive Tax Assistant** on IRS.gov. The ITA takes you through a series of questions and provides you with the answers. There are three new topics for 2015:

- Am I eligible for the Premium Tax Credit?
- Am I required to make an Individual Shared Responsibility Payment?
- What is the due date of my federal tax return and am I eligible to file an extension?

Select a topic and answer the questions, and you'll get an immediate response to your specific tax issue. ITA is accurate, and you can print the answers for your records. You get the same information you would receive if you spoke to one of our representatives, but there's no waiting. Simply type Interactive Tax Assistant in the search box on IRS.gov for easy access to the answers you need.

There are various tax law categories within the ITA, including:

- **General filing questions**
- **Deductions**
- **Credits**
- **Income**

The ITA tool is available to all taxpayers, so if you have a tax-related question, go to the **ITA** today.



## IRS issues standard mileage rates for 2015

The IRS recently issued the 2015 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2015, the standard mileage rates for the use of a car, van, pickup or panel truck are:

- 57.5 cents per mile for business miles driven, up from 56 cents in 2014
- 23 cents per mile driven for medical or moving purposes, down half a cent from 2014
- 14 cents per mile driven in service of charitable organizations

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile, including depreciation, insurance, repairs, tires, maintenance, gas and oil. The rate for medical and moving purposes is based on the variable costs, such as gas and oil. The charitable rate is set by law.

Taxpayers always have the option of claiming deductions based on the actual costs of using a vehicle rather than the standard mileage rates.

A taxpayer may not use the business standard mileage rate for a vehicle after claiming accelerated depreciation, including the Section 179 expense deduction, on that vehicle. Likewise, the standard rate is not available to fleet owners (more than four vehicles used simultaneously).

Details on these and other rules are in **Revenue Procedure 2010-51**, the **instructions to Form 1040**, and various online IRS publications including **Publication 17, Your Federal Income Tax**.

An IRS webinar for government employers on **travel reimbursement policies** is available for viewing on <http://www.irsvideos.gov/>

## Webinars for government agencies can be viewed online

The IRS Office of Federal State and Local Governments offers webinars on topics of interest to government agencies, including municipalities, throughout the year. You can view these archived webinars from 2014 on <http://www.irsvideos.gov/>.

- The Affordable Care Act: Information Reporting of Minimum Essential Coverage under IRC Section 6055 - **Audio Webcast, Sep 9, 2014**: Learn about Internal Revenue Code Section 6055; who is required to report; what elements are required to be reported; and how do government entities designate reporting.
- The Affordable Care Act: How Applicable Large Employers Should Report Health Care Coverage under IRC Section 6056 - **Audio Webcast, Aug 21, 2014**: Learn about Internal Revenue Code Section 6056; who is required to report; what elements are required to be reported; when Applicable Large Employers must report; how do government entities designate reporting.
- Government Entity Compliance Examinations: Solutions to Common Mistakes - **Audio Webcast, July 31, 2014**: Learn about Form W-9 - what is it and why is it so important; Forms 1099 - who gets one and when; Form 945 - what does it have to do with backup withholding; how to avoid penalties and interest.
- Rehired Annuitants - **Audio Webcast**: Learn about the payroll tax treatment of a former government employee who returns to work for the same entity; it may be different than it was prior to their retirement or separation. This presentation will help government employers understand how to comply with the complicated and often misunderstood tax implications of hiring a former employee.
- Patient Centered Outcomes Research Institute (PCORI) Fee - **Audio Webcast, May 29, 2014**: Learn about who is responsible for the fee; and how to calculate, pay and report the fee.
- Employee Benefits - How and When Government Entities Should Report Them - **Webinar, February 6, 2014**: Learn about the taxability of certain fringe benefits for state and local governments, accountable plans, allowances, tool allowances, stipends, bonuses, gift cards, day meals, group term life insurance and health flexible savings accounts.

Visit the FSLG web page to learn more about **educational resources** for government agencies.